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SIPDIS

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SUBJECT: PISA AND BOLOGNA LEAD EXPANSION OF NORTHERN-CENTRAL ITALY'S AIRPORTS

1. National and international air passenger traffic in Emilia Romagna and Tuscany has increased substantially in 2005, and prospects for a further increase over the next three years are excellent. All three major airports in the two regions (Bologna, Pisa and Florence) reported two-digit growth over 2004 in terms of numbers of passengers. Smaller airports such as Rimini, Forli' and Siena also increased traffic over previous years, especially from charter flights (Rimini) and low cost airlines (Forli').

2. In 2005, the Bologna airport increased its passenger traffic to 3.7 million, up 12.4% from 2004. This year, the airport's total passenger traffic will likely pass the 4 million mark. In recent years, the airport has expanded the number of national and international destinations, including a bi-weekly direct flight to New York operated by Eurofly, via a brand new airbus 330-200. The flight operates from mid June to the end of September, serving about 20,000 passengers. In 2006, this flight will be extended from early May to November.

3. Armando Brunini, Vice President and Commercial Director of Eurofly, says the company sees the flight as a success with potential for growth. "We are satisfied with the public's response to our Bologna-New York project, especially given that this year the project was in the initial launching phase. I am sure that the 2006 season will further validate our choice to commit to this project with a greater demand not only from local travelers but also from incoming passengers. Incoming traffic on the flight currently account for 35 percent of the total."

4. In Pisa, the largest airport in Tuscany, passenger traffic jumped to 2.35 million in the same period, up 15% from 2004. Thanks to the temporary transfer of Florence air traffic to Pisa for three months this year due to major maintenance work, Pisa's passenger traffic in 2006 is estimated to reach the 3 million mark. Pisa's airport has seen exponential growth in recent years due to its strategic decision to partner with low cost airlines such as Ryan Air and Easy Jet.

5. On March 23, 2006, the company operating Pisa's airport, Societa Aeroporti Toscani (SAT), presented a master plan for development in the coming years. To keep up with growth, in fact, the airport has ambitious plans for the expansion of its infrastructure. The 60-million Euro plans include a major enlargement of the main terminal, a possible light rail link to Pisa's central train station, new parking facilities and a brand new hotel that looks like the Leaning Tower. Airport officials emphasized the fact that the new building projects will be completed by using environmentally friendly techniques and materials and that the new facilities will have innovative energy-saving features such as the use of natural light and solar panels.

6. In addition, the airport has signed an agreement with the Italian military for the transfer of space previously occupied by military aircraft to the civilian side of the airport, thus increasing the airport's holding areas (parking spaces) from nine to twenty-three. The recent growth has also turned the airport into an attractive investment opportunity, and SAT's ownership has plans to take the company public within the next six months to raise the funds necessary to meet the expansion plans. A recent study by the University of Pisa values the airport's economic impact on the territory at Euro 500 million annually with over 3,000 people employed directly and indirectly as a result.

7. The Florence airport, the third largest in the district with 1.7 million passengers in 2005, increased its traffic by 14% over 2004. The performance matched the first large increase in the number of tourists in Florence since 2001. In 2006, however, Florence is expected to maintain the same level of traffic as in 2005, due to a three-month closure (February-April) for major repair work to the runway and other construction projects.

8. Comment: The upgrading of the airport infrastructures in Tuscany and Emilia Romagna is part of a strategy by local governments and business communities to improve the competitiveness of the economic system, which has been suffering from increased foreign competition in several industrial sectors, a need for a more modern transportation infrastructure, and high costs of services. This strategy has happily coincided

with the deregulation of the airline industry in the EU and the market entry of new carriers. Pisa and Bologna, in particular, have capitalized on this development and profited from what Pisa officials called the "democratization" of the travel industry, or the potential of low cost airlines to attract new travelers.

19. The upgrading of Bologna, Pisa and Florence airports will benefit the two regions' trade with the United States. The regions of Tuscany and Emilia Romagna alone account for 20% of the total bilateral trade between Italy and the U.S. The improved airport infrastructures will facilitate the large U.S. business and university communities in these regions. It is to serve these communities and the millions of U.S. and Italian tourists who travel between the two countries each year that Pisa airport officials are actively seeking a direct flight to a major U.S. destination. End Comment
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